

Market Alert

Friday 2 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6067	-0.0008
NZD/AUD	0.9231	-0.0068
NZD/JPY	84.20	-2.48
NZD/EUR	0.5638	-0.0063
NZD/GBP	0.4843	-0.0016
NZD/CNH	4.3109	-0.0727
AUD/USD	0.6571	0.0039
AUD/EUR	0.6106	-0.0022
EUR/USD	1.0758	0.0103
USD/CNH	7.1064	-0.1112
GBP/USD	1.2526	0.0019
EUR/GBP	0.8589	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	3.85%
90 day bills	5.71%	4.06%
2 year swap	5.19%	3.89%
10 year Govt	4.39%	3.70%

What? A pause? For heavens sake, make your mind up!

Fed Governor Phillip Jefferson's comments pushing back against a June rate hike with, "skipping a rate hike at a coming meeting would allow the committee to see more data before making decisions about the extent of additional policy firming," weighed on the USD overnight as the views from Jefferson, who has been nominated as the next vice-chair, are thought to reflect those of the Fed's leadership. We also had Fed colleague Harker suggest that "in the absence of a black swan event, we see inflation 'marching down' to 2.0% in the next couple of years. We're at the point, or close to the point where we can sit on rates for a while."

The prospect of a pause to the hiking cycle saw equity markets recover with international bourses 0.50%-1.50% higher. Bond yields also fell, with the 2-yr and 10-yrs down -5bps and -4bps at 4.34% and 3.60% respectively, while the USD-index fell from above the 104.00 level to 103.50. This saw the NZD, AUD, and EUR all bounce from their recent lows with the AUD the standout performer. Commodity prices also recovered.

Ahead of tonight's non-farm payroll numbers, non-farm business labour productivity fell -2.1% in Q1, which was lower than the preliminary estimate of -2.7% and better than forecasts for a -2.5% drop. In other US headlines, private businesses added 278,000 jobs in May, which was well above forecasts at 170,000, while the number of Americans 'signing-on' increased by 2,000 to 232,000, below forecasts of 235,000.

We also had final confirmation on a few manufacturing PMIs with the US ISM print falling to 46.9 in May, Japanese May manufacturing PMIs increased to 50.6 from 49.5, while the Australian print firmed to 48.4 from April's 48.0.

Nick 'Fed Whisperer' Timiraos of the WSJ forecast the FOMC will likely hold interest rates steady in June as, "Fed officials signalled they are increasingly likely to hold interest rates steady at their June meeting before preparing to raise them again later this summer. This strategy would give officials more time to study the economic effects of the Fed's 10 consecutive

prior rate rises, as well as recent banking stress, by spacing out further increases."

Preliminary estimates for Eurozone inflation highlighted an easing to 6.1% in May, which was lower than April's 7.0% and below market expectations of 6.3%. But despite the positive number, Christine Lagarde reiterated there was no clear evidence core inflation has peaked, pledging further increases in borrowing costs.

BlackRock Investment Institute have a very downbeat outlook...

... announcing, "We are underweight global equities. Financial cracks are emerging from Fed rate hikes. We don't think earnings expectations reflect the recession we see ahead. The impact of higher European interest rates and elevated inflation poses a challenge for earnings, even as the energy shock fades while UK earnings expectations don't fully reflect the economic damage we see ahead."

CEO Larry Fink also believes the FOMC still has some work to do stating, "I expect at least another 2 hikes, as many as 4! The economy is more resilient than the market realizes. I just don't see evidence of a reduction in inflation. I don't see evidence that we're going to have a hard landing but there are 'pockets of problems' in the economy, for example the commercial real estate sector. The 'drama' around raising the government's borrowing limit had eroded trust in the dollar."



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Daily Rates

Friday 2 June 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.8161	0.8840
NZD/USD	0.6067	-0.0001	-0.0003	-0.0008	-0.0027	CHF	0.5497	0.5954
NZD/AUD	0.9231	-0.0012	-0.0034	-0.0068	-0.0130	CNY	4.3081	4.6657
NZD/JPY	84.20	-0.40	-1.24	-2.48	-4.94	DKK	4.1991	4.5479
NZD/EUR	0.5638	-0.0011	-0.0031	-0.0063	-0.0126	FJD	1.3411	1.4525
NZD/GBP	0.4843	-0.0004	-0.0010	-0.0016	-0.0023	HKD	4.7516	5.1463
						KRW	797.33	863.57
AU TWI	60.00					MYR	2.7975	3.0299
AUD/USD	0.6571	0.0007	0.0021	0.0039	0.0057	NOK	6.7078	7.2650
AUD/NZD	1.0829	0.0013	0.0038	0.0078	0.0141	SEK	6.5612	7.1063
AUD/JPY	91.21	-0.32	-1.02	-2.05	-4.22	SGD	0.8173	0.8852
AUD/EUR	0.6106	-0.0004	-0.0012	-0.0022	-0.0052	TWD	18.59	20.13
AUD/GBP	0.5245	0.0002	0.0008	0.0021	0.0048	ZAR	11.91	12.90
USD Index	103.59					EQUITIES		
EUR/USD	1.0758	0.0019	0.0053	0.0103	0.0185		Index	
USD/JPY	138.79	-0.65	-1.98	-3.90	-7.51	NZX50	11,916	
GBP/USD	1.2526	0.0008	0.0018	0.0019	-0.0004	ASX200	7,111	
EUR/GBP	0.8589	0.0009	0.0029	0.0064	0.0147	Dow Jones	33,035	
						S&P 500	4,213	
INTEREST RATES			New Zealand		Australia	FTSE100	7,490	
			Mid		Mid	DAX 30	15,854	
30 day bank bills			5.63%		3.91%	Nikkei	31,148	
90 day bank bills			5.71%		4.06%	COMMODITIES		
1 year swap			5.69%		4.08%		USD	
2 year swap			5.19%		3.89%	Brent Crude	74.20	
3 year swap			4.79%		3.71%	Gold	1,977.81	
5 year swap			4.43%		3.63%	Silver	23.88	
10 year swap			4.31%		3.93%	Iron Ore	101.37	
3 year Govt bond			4.52%		3.44%	CRB Index	285.01	
5 year Govt bond			4.32%		3.42%		NZD	
10 year Govt bond			4.39%		3.70%	NZ Carbon	55.00	

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